

**Follow-up of the Audit of the
Cooperative Extension Office's
Master Gardener Program
Bank Account**

**Report by the
Office of County Comptroller**

**Martha O. Haynie, CPA
County Comptroller**

County Audit Division

J. Carl Smith, CPA
Director

Christopher J. Dawkins, CPA, CIA
Deputy Director

Wendy D. Kittleson CISA, CIA
IT Audit Manager

Audit Team:
Rhonda Haney, CPA, CIA
Audit Supervisor

**Report No. 434
August 2013**

TABLE OF CONTENTS

Transmittal Letter.....	3
Implementation Status of Previous Recommendations For Improvement	4
Introduction	7
..... Scope and Methodology	8
Follow-Up To Previous Recommendations For Improvement.....	9
1. The Master Gardener Program Should Comply With the University of Florida Guidelines for Bank Accounts in County Extension Offices.....	10
2. Improvements Are Needed in the Master Gardener Program's Controls Over Expenditures.....	14
3. A Reconciliation of the Master Gardener Program Bank Account Should Be Performed Monthly	17
4. Program Personnel Should Prepare an Annual Budget of the Amounts They Expect to Spend on Training	19
5. The County Should Consider Operating the Master Gardener Fund As A County Fund	20

August 20, 2013

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted a follow-up of the Audit of the Cooperative Extension Office's Master Gardener Program Bank Account. Our original audit (Report No. 400) included the period of October 2006 to May 2008. Testing of the status of the previous Recommendations for Improvement was performed for the period January 2010 through January 2013.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following each recommendation is a summary of the current status as determined in this review.

We appreciate the cooperation of the personnel of the Cooperative Extension Office during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Linda Weinberg, Deputy County Administrator
Lonnie Bell, Family Services Department Director
Richard Tyson, Cooperative Extension Office Director
Ed Thralls, Extension Agent & Master Gardener Coordinator

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS
FOR IMPROVEMENT**

FOLLOW-UP OF THE AUDIT OF THE COOPERATIVE EXTENSION OFFICE'S
 MASTER GARDENER PROGRAM BANK ACCOUNT
 STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Orange County Master Gardener Program complies with the University of Florida Guidelines for Bank Accounts in County Extension Offices. Specifically,				
A)	Detailed income receipts should be written for every transaction;	✓			
B)	All collections over \$500 should be deposited within one business day;			✓	
C)	A separate official pre-numbered Orange County receipt book should be maintained specifically for the Program with all receipt copies kept intact;	✓			
D)	Checks for \$500 or more must have two authorized signatures. This condition should be incorporated as a requirement of the bank, if possible; and,				✓
E)	The Program's books and records should receive an annual review by the oversight committee or other acceptable audit authority.	✓			
	Further, the Advisory Committee members should promptly remove the inactive account owner through the bank and select a replacement.	✓			
2.	We recommend Program personnel perform the following:				
A)	Develops policies and procedures that detail expenditures which are appropriate for Master Gardener training and do not require specific approval. Anything outside this list must be approved by a majority of the Advisory Committee members and such approval must be documented;		✓		

FOLLOW-UP OF THE AUDIT OF THE COOPERATIVE EXTENSION OFFICE'S
 MASTER GARDENER PROGRAM BANK ACCOUNT
 STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
2. B)	Ceases the practice of signing blank checks;	✓			
C)	Ensures supporting documentation exists, is complete, and substantiates the amount being reimbursed for all expenditures incurred; and,		✓		
D)	Reviews reimbursement requests carefully to ensure individuals are not reimbursed for sales tax incurred for the purchase of personal items.	✓			
3.	We recommend the Program bank account is reconciled monthly by someone without access to the account.			✓	
4.	We recommend Program personnel prepare an annual budget detailing the amounts they expect to spend on the training of Master Gardeners. In addition, an accounting should be performed annually of the amounts budgeted compared to the amounts actually spent.	✓			
5.	We recommend the County considers operating the Program bank account as a County fund.	✓			

INTRODUCTION

INTRODUCTION



Follow-Up of the Audit of the Cooperative Extension Office's Master Gardener Program Bank Account

Scope and Methodology

We have conducted a follow-up of the Audit of the Cooperative Extension Office's Master Gardener Program Bank Account. Our original audit (Report No. 400) included the period of October 2006 to May 2008. Testing of the status of the previous Recommendations for Improvement was performed for the period January 2010 through January 2013. In addition, certain matters occurring outside the audit period were also reviewed.

We interviewed personnel with the Cooperative Extension Office's Master Gardener Program (hereafter "Extension"). We also reviewed source documents and performed the tests necessary to determine the implementation status of the previous recommendations. We did not perform any testing to determine if all revenue was receipted; testing was performed to determine if receipted funds were deposited. We have described the specific methodologies utilized during our review in the implementation status of each Recommendation in the Follow-up to Previous Recommendations for Improvement section of this report.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



1. The Master Gardener Program Should Comply With the University of Florida Guidelines for Bank Accounts in County Extension Offices

During the prior audit, we noted the University of Florida developed and provided all Extension Directors with Guidelines for Bank Accounts in County Extension Offices (University Guidelines), which detail how the bank account must be set-up and operated. We tested the Master Gardener Program's (Program) compliance with these guidelines and noted the following:

- A) During our prior review of bank deposits, we identified 60 individual collections received during the audit period. Ninety-seven percent of those transactions (58 of 60) were not supported by detailed receipts.
- B) We noted receipts for \$500 or more were not deposited within one business day as required by University Guidelines. We identified five occasions on which deposits were made for \$500 or more during our prior review of deposits. Three of the five deposits included plant sale proceeds. For these deposits, we compared the date of the plant sale to the deposit date and found that all monies were deposited at least six days after the plant sale date. For the two remaining deposits, we were unable to determine whether the deposits were made timely due to the lack of receipts.
- C) We found that receipt copies were torn out of the Program's receipt book rather than being maintained as a complete document. In addition, the receipt book used for the Program was used for programs run by another Extension Agent. As such, we were unable to determine if all monies receipted were deposited.
- D) During our test of disbursements, we identified five checks written for \$500 or more. However, none of the checks identified had two signatures as required

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Cooperative Extension
Office's Master Gardener Program Bank Account

by the University Guidelines. We also learned that the bank did not have such a restriction in place for checks cashed from the Program bank account.

- E) We found no evidence that the books and records of the Program's bank account received a sufficient annual review for at least the prior two years. In addition, we were informed that one had not been done in many years.
- F) Per University Guidelines, bank accounts must be established under advisory committees or not-for-profit corporations. As a result, the Program's account was established under the ownership of three members of the Environmental Horticulture/Master Gardener Program Advisory Committee (Advisory Committee). We noted during the prior audit that one of the individuals stepped down from her responsibilities as a Committee member yet was not removed as an account owner with the bank.

We Recommend the Orange County Master Gardener Program complies with the University of Florida Guidelines for Bank Accounts in County Extension Offices. Specifically,

- A) Detailed income receipts should be written for every transaction;
- B) All collections over \$500 should be deposited within one business day;
- C) A separate official pre-numbered Orange County receipt book should be maintained specifically for the Program with all receipt copies kept intact;
- D) Checks for \$500 or more must have two authorized signatures. This condition should be incorporated as a requirement of the bank, if possible; and,

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Cooperative Extension
Office's Master Gardener Program Bank Account

- E) The Program's books and records should receive an annual review by the oversight committee or other acceptable audit authority.

Further, the Advisory Committee members should promptly remove the inactive account owner through the bank and select a replacement.

Status:

- A) Implemented. We reviewed receipts and support documentation for 14 deposits and noted that detailed information; such as receipt date, customer name, reason for receipt, amount received, type of transaction, name of receiving party and signature of person receiving the funds was included on the 182 receipts associated with the deposits. However, additional concerns noting receipts are noted in the Status of Recommendation for Improvement No. 3.
- B) Not Implemented. We reviewed the sample deposits noted above in A) for timeliness and noted that 56 percent (55 of 99) of the associated receipts were not deposited within one business day when the total was greater than \$500 and 52 percent (43 of 83) were not deposited within a week when the total was less than \$500.

We Again Recommend all collections over \$500 should be deposited within one business day. In addition, receipt totals of less than \$500 should be deposited within a week.

Management's Response:

We agree with Audit's Recommendation and we have fully implemented the suggestion to ensure that all collections over \$500 are being deposited within one business day.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Cooperative Extension
Office's Master Gardener Program Bank Account

- C) Implemented. Interviews with management revealed that a pre-numbered Orange County receipt book was requested; however, at this time, the matter is under consideration by the Comptroller's Finance and Accounting Department.

We also noted that the receipt books used for the Master Gardener Program continue to be used for other programs within Residential Horticulture. However, the reason for the monies received is indicated on the receipt so that the appropriate program accounting line can be assigned.

- D) Not Applicable. Interviews with management and a review of Extension correspondence revealed that a waiver was received from the University of Florida District Director to institute an alternative procedure. Also, the procedure was incorporated in the Memorandum of Agreement between the Orange County Master Gardener Advisory Committee and the Extension. However, the alternative procedure requires management to monitor more carefully and accept the risk of inappropriate checks written over \$500 since two signatures are no longer required.

- E) Implemented. We reviewed the Master Gardener Advisory Committee meeting minutes and noted their approval of the 2010, 2011, 2012 and 2013 annual budgets. In addition, interviews with management revealed that a review of the Extension Office's financial records includes the deposits and expenditures of the Master Gardener Program. The review is evidenced by the "County Bank Account Annual Report" that is signed by the Extension Director. We verified that this report was completed for 2009 through 2012.

We reviewed bank documentation and noted that the inactive account holder was removed from the account and verified that the current account holders are active employees.



2. Improvements Are Needed in the Master Gardener Program's Controls Over Expenditures

During the prior audit, the following issues were noted regarding expenditures:

- A) The Advisory Committee is responsible for approving disbursements from the Program bank account. According to Program staff, disbursements were allowed without obtaining approval from the Committee when the items purchased related to programs that had been previously approved.

We found that the Program did not have procedures detailing the practice of handling disbursements. As a result, they did not document in writing the types of expenses that were program-related and did not require specific approval from the Advisory Committee.

We identified several purchases that appeared to be outside the normal course of business; however, approval from the Advisory Committee was not noted in meeting minutes. For example, the Program spent over \$500 to purchase plants for a plant sale held at the Central Florida Fair even though the sale was conducted entirely by fair employees. In another instance, tickets were purchased with Master Gardener monies so that 19 volunteers could attend a behind-the-scenes tour of Epcot.

- B) During our prior review of the check register, we found two blank checks that had been signed by one of the account owners. We also found documentation suggesting there was a common practice of having blank checks signed prior to when the check was actually needed.
- C) Some of the supporting documentation submitted with reimbursement requests included copies of invoices and receipts that were incomplete or illegible.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Cooperative Extension
Office's Master Gardener Program Bank Account

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- D) Many of the checks written from the Program bank account were for reimbursement to individuals that incurred expenses related to Master Gardener training or other related activities. We found that personal items were sometimes purchased at the same time and, while the purchase price of these items was removed from the reimbursement amount, the associated sales tax was not removed.

We Recommend Program personnel perform the following:

- A) Develops policies and procedures that detail expenditures which are appropriate for Master Gardener training and do not require specific approval. Anything outside this list must be approved by a majority of the Advisory Committee members and such approval must be documented;
- B) Ceases the practice of signing blank checks;
- C) Ensures supporting documentation exists, is complete, and substantiates the amount being reimbursed for all expenditures incurred; and,
- D) Reviews reimbursement requests carefully to ensure individuals are not reimbursed for sales tax incurred for the purchase of personal items.

Status:

- A) Partially Implemented. We reviewed the Memorandum of Agreement between the Orange County Master Gardener Advisory Committee and the Extension and noted that the agreement specifies that all expenditures require Advisory Committee approval except for those used solely for training new volunteers which are funded by class registration fees. Expenditures related to training require the approval of the Extension Director.

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Cooperative Extension
Office's Master Gardener Program Bank Account

However, we reviewed Advisory Committee meeting minutes and noted that 25 percent (4 of 16) of the expenditures tested exceeded the amount approved by the Advisory Committee.

We Again Recommend Program personnel ensures that all expenditures, required by the Memorandum of Agreement, are approved by a majority of the Advisory Committee members and such approval is documented.

Management's Response:

We agree with Audit's Recommendation and will submit a change to "Master Gardener Advisory Committee Procedures" at the next Advisory Committee meeting, July 26, 2013, in order to fully comply with this recommendation.

- B) Implemented. Interviews with management revealed that blank checks are no longer signed prior to being needed. In addition, we scanned the Extension check book and did not note any signed blank checks.
- C) Partially Implemented. We reviewed a sample of expenditures and noted that support documentation existed. However, we found that 45 percent (13 of 29) of the related invoices/receipts were not signed indicating review of the quantity and amounts billed were for valid Program expenditures.

We Again Recommend Program personnel ensure supporting documentation is complete and substantiates the amount being reimbursed for all expenditures incurred.

Management's Response:

We agree with Audit's Recommendation and, within our ability, we will make every effort to ensure

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Cooperative Extension
Office's Master Gardener Program Bank Account

“supporting documentation exists...”, in order to fully comply with this recommendation.

- D) Implemented. We reviewed the sample of 29 expenditures noted above in C) and found that personal items were not included in the purchase or were properly excluded, with the related sales tax, from reimbursement.

3. A Reconciliation of the Master Gardener Program Bank Account Should Be Performed Monthly

During the prior audit, we noted that the bank statement balance for the Program bank account was not reconciled with the actual cash book balance. The Advisory Committee Treasurer (who had access to the account monies) prepared a balance sheet each month; however, outstanding items were not accounted for in the reconciliation.

We Recommend the Program bank account is reconciled monthly by someone without access to the account.

Status:

Not Implemented. We scanned bank reconciliation files for the months of February 2012 through July 2012 and noted that a reconciliation was completed for each month. However, interviews with Extension personnel revealed that the individual performing the reconciliation has primary responsibility for making deposits, writing checks, and disbursing payments. In addition, the reconciliation did not compare receipts written to the deposits made. As part of our audit procedures, we reconciled the 2012 Plant Fair receipts with the final amount deposited and noted the following:

- A) The receipts issued by the volunteers at the Plant Fair documented that the total amount collected from customers was \$1,889.10; however, the Program Coordinator noted only \$1,877.30 was received from

**STATUS OF PREVIOUS
RECOMMENDATIONS
FOR IMPROVEMENT**



Follow-Up of the Audit of the Cooperative Extension
Office's Master Gardener Program Bank Account

the volunteers, a difference of \$11.80. As such, the Program Coordinator did not effectively reconcile the receipts written by the volunteers to the actual cash and checks turned in by the volunteers.

- B) The bank deposit that included the proceeds from the Plant Fair totaled \$1,862.50; however, based on documentation supporting the deposit we found that \$100 included in the deposit was not related to the Plant Fair sales. Therefore, the actual amount deposited for the Plant Fair collections was \$1,762.50, a difference of \$126.60 from the amount recorded by the volunteers and \$114.80 from the amount recorded by the Program Coordinator.

Program personnel were unaware of the shortages noted above until we brought it to their attention and were unable to provide an explanation for the shortages when asked. Subsequent analysis did not reveal any additional shortages during the 2011 and 2012 calendar years. Good internal controls include a reconciliation of deposits with actual receipts (including checks and cash totals receipted) to assist in detecting overages and shortages on a timely basis.

We Again Recommend the Program bank account is reconciled monthly by someone without access to the account. Further, someone independent of the money collection and deposit function should reconcile the cash and checks deposited to the receipts written.

Management's Response:

We agree with Audit's Recommendation and for the past five months the Program bank account has been reconciled monthly by someone without access to the account and will continue to do so to fully comply with this recommendation.



4. Program Personnel Should Prepare an Annual Budget of the Amounts They Expect to Spend on Training

During the prior audit, we noted that those interested in becoming a Master Gardener were assessed a registration fee at the beginning of the training year. These fees were deposited in the Program bank account and spent on items to facilitate the training of prospective Master Gardeners (i.e. books, training materials, refreshments and banquet supplies). We learned that Program personnel did not prepare a budget of the amounts they expected to spend on these items nor did they perform an accounting of the amounts they actually spent. We calculated the amount of expenditures related to training for the 2007 and 2008 training years and compared it to the amount collected in registration fees during the same period. Our calculation revealed a (\$241) deficit for the Class of 2007 and a \$408 surplus for the Class of 2008.

We Recommend Program personnel prepare an annual budget detailing the amounts they expect to spend on the training of Master Gardeners. In addition, an accounting should be performed annually of the amounts budgeted compared to the amounts actually spent.

Status:

Implemented. We calculated the amount of expenditures related to training for the 2011 and 2012 training years and compared it to the amount collected in registration fees during the same period. Our calculation revealed the following:

	2011 Class	2012 Class
Total Collected	\$4,200	\$2,850
Total Expenses	\$4,114	\$2,960
Surplus / (Deficit)	\$86	(\$110)

In addition, we verified that an accounting of the amounts budgeted to the amounts actually spent was prepared by



scanning the spreadsheets prepared by the Program Coordinator for 2010, 2011 and 2012.

5. The County Should Consider Operating the Master Gardener Fund As A County Fund

During the prior audit, we noted that the Program's account was established under the ownership of three members of the Advisory Committee. However, the University Guidelines permit Program funds to be processed through county accounts if approved by the University administration. By operating as an Orange County fund, the Program could enjoy monetary savings through the County's tax-exempt status while the Advisory Committee could save time managing the account. In addition, utilizing a County fund could help to eliminate most of the control weaknesses noted in the report.

We Recommend the County considers operating the Program bank account as a County fund.

Status:

Implemented. Interviews with management revealed that the Program bank account is not operated as a County fund. However, management has contacted the Comptroller's Finance and Accounting Department and the matter is under consideration at this time.